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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT AGENCY
SOUTHERN DIVISION

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WHEAT MARKETING QUOTA REFERENDUM QUESTIONS AND ANSWERS

The Wheat Situation

1. Q. How large are world wheat supplies at present?
A. World supplies during the period 1938-41 were the largest on record. This resulted from above-average yields on large acreages and from restricted trade. World stocks on January 1, 1942 were larger than they had ever been before that date; surplus stocks alone, estimated at 1,524 million bushels on January 1, 1942, are 16 percent above the record last year and almost three times the 500 to 600 million bushel import requirements of world markets in recent years. Since markets in the Orient and elsewhere have been lost, world trade during the current year is expected to be further reduced from recent years. Thus, with average conditions, surplus stocks will become increasingly burdensome.
2. Q. What was the total supply of United States wheat for the 1941-42 marketing year?
A. About 1,331 million bushels, the largest on record. The crop harvested last year produced 946 million bushels, while the carry-over on July 1, 1941, was 385 million bushels. Stocks in this country as of January 1, 1942, are estimated at 988 million bushels. This is 37 percent larger than January 1, 1941, and 63 percent larger than stocks two years ago.
3. Q. What is the carry-over of United States wheat likely to be when the 1942-43 marketing year begins on July 1?
A. The carry-over as of July 1, 1942 is estimated at 630 million bushels. This is based on the carry-over last July, production last year, disappearance during July to December 1941, probable exports of not more than 30 million bushels, and probable increased feeding of wheat as a result of the Government selling program.
4. Q. What are prospects of total wheat supplies for the United States for the marketing year 1942-43?
A. Prospects now indicate a new record - approximately 1.4 billion bushels. This is based on the estimated July 1, 1942 carry-over of 630 million bushels, plus an estimated production from winter wheat of 631 million bushels, plus an allowance for Spring wheat.
5. Q. When are quotas required to be proclaimed under the Agricultural Adjustment Act?
A. The Agricultural Adjustment Act of 1938, as amended, requires that quotas be proclaimed whenever the total supply exceeds a normal year's domestic consumption and exports by more than 35 percent.

6. Q. Are storage facilities available for this year's production?
A. The 1941-42 crop probably has caused the greatest pressure on grain storage capacity ever experienced. Even though much temporary storage capacity has been made available, it has still been necessary to pile grain on the ground in some areas and to move some grain stocks out of normal market position. With the grain crop now in prospect and limited possibilities for new construction of storage space, another year of strained storage conditions is certain.

7. Q. How about cash income from wheat in 1941?
A. Cash income to growers from wheat in 1941 is tentatively estimated as \$702,039,000. This was 64 percent larger than in 1940, and the largest since 1929. It resulted from both large sales and marked price advances. With the 1941 crop one of the largest on record, sales, including quantities placed under loan, were the largest since 1921. Despite a large crop, prices of wheat in 1941 averaged considerably higher than in 1940, as larger quantities of wheat moved under loan at the higher loan rates of 85% of parity.

8. Q. What farms are subject to the marketing quota prescribed under laws enacted by Congress?
A. All farms on which wheat is produced in 1942, except (a) farms having a planted wheat acreage of 15 acres or less, and (b) farms on which the normal production of the planted wheat acreage is less than 200 bushels.

Operation of Quotas

9. Q. How do marketing quotas help wheat growers?
A. Marketing quotas give to each farm its fair share of the available market and thus its fair share of the income from the wheat crop.

10. Q. What is the wheat marketing quota for a farm?
A. The 1942 farm marketing quota is the actual production of wheat on the farm less the farm marketing excess. The farm marketing excess is the normal production of the excess acreage of wheat on the farm. Where the farm makes less than a normal crop and the producer establishes the facts to the county committee, the farm marketing excess is adjusted downward to the smaller of the following: the amount of wheat produced in 1942 in excess of the normal production of the wheat acreage allotment or the actual production of the excess acreage.

11. Q. Under what conditions will marketing quotas be in effect on the 1942 wheat crop?
A. Marketing quotas will be in effect if approved by at least two-thirds of the wheat growers voting in the national referendum.

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12. Q. When will the referendum be held?
 A. The referendum will be held on Saturday, May 2, 1942.

13. Q. If wheat marketing quotas are voted into effect, will they apply in a state, county, or community where the favorable vote is less than two-thirds?
 A. Yes. The wheat problem is a national one and affects all wheat producers. Consequently, quotas will apply wherever wheat is produced.

14. Q. Who may vote in the referendum on May 2?
 A. All growers whose farms are subject to the quota are eligible to vote in the referendum. All wheat farms are subject to the quota, except those on which the acreage planted to wheat is 15 acres or less, and those on which the normal production times the acreage planted to wheat is less than 200 bushels.

Farm's Marketing Quota

15. Q. How much wheat can a producer market under the quota?
 A. He may sell or feed without penalty all he produces on his 1942 acreage allotment. In other words, any farmer who has seeded within his 1942 wheat acreage allotment may market without penalty all of his 1942 wheat. The farmer who has overplanted his allotment is on the same basis as the cooperator; that is, he may market without penalty all he produces in 1942 on his allotted acreage. However, if he has a farm marketing excess in 1942, this excess is subject to a penalty at the rate of 50 per cent of the basic loan rate. If he is overplanted in 1942, there will be a farm marketing excess unless he proves that he produced less than the normal production of the farm acreage allotment.

16. Q. What can a producer do who thinks that his farm marketing quota was incorrectly determined?
 A. The county committee will correct any errors made. However, to insure an impartial determination, the law provides that, within 15 days after the notice of his farm marketing quota is mailed or delivered to the farmer by the County AAA Committee, he may ask for a review of his quota. A local review committee composed of three farmers appointed by the Secretary of Agriculture to review all such cases will receive the producer's evidence and make a decision. In the event the producer is not satisfied with the committee's decision he may institute proceedings which call for a review of the case by a court.

17. Q. Can a producer who does not plan to market wheat transfer his quota to another producer who has excess wheat?
 A. No. A quota established for a farm may not be assigned or otherwise transferred in whole or in part to any other farm.

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18. Q. How does the quota affect a person who buys a farm on which wheat is produced in 1942?

A. He is entitled to all the rights and privileges and is subject to the same restrictions on the marketing of excess wheat as would have applied to his predecessor.

19. Q. How does a producer prove to a grain buyer that his wheat is penalty-free, or that the penalty has been satisfied?

A. A marketing card is given to each producer who has no excess wheat or who has taken care of his excess by paying the penalty, by storing it, or by delivering it to the Government. A marketing card is evidence to the buyer that the producer's wheat is eligible for sale and is not subject to the lien for the penalty.

20. Q. How may a farmer who has a marketing excess dispose of such wheat?

A. He may dispose of his marketing excess in one of three ways: (1) He may market it and pay the penalty; (2) He may store it, and if the wheat is sealed in storage approved for loans he will be eligible for a loan on it at 60 percent of the loan rate offered cooperators; (3) He may deliver it to the Secretary of Agriculture through the county AAA committee.

21. Q. Will the producer who has wheat in excess of his farm marketing quota be able to avoid the penalty if he uses all his wheat on his own farm?

A. No. Until the penalty is paid or until the marketing excess is stored or delivered to the county committee, the entire crop of wheat produced on the farm is subject to a lien in favor of the Government for the amount of the penalty. While the lien is in effect, none of the wheat may be sold or used on the farm without payment of the penalty.

22. Q. What normal yield will be used in establishing the marketing excess?

A. The normal yield established for marketing quota purposes is the same as that for the farm under the 1942 Agricultural Conservation Program.

Storing Excess

23. Q. How may the producer store the excess wheat to postpone or avoid the penalty?

A. The producer may put up a surety bond or cash for the amount of the penalty, or he may furnish a warehouse receipt covering the storage of the excess wheat. The cash or the warehouse receipt is held in escrow by the county AAA committee.

24. Q. If a surety bond is used, who has to sign it?

A. The owner or operator of the farm signs as principal, and two persons, each owning real property situated within the county with an unencumbered value of double the principal sum of the bond, sign as sureties. Or, if the producer prefers, he may furnish a corporate surety bond.

25. Q. What is the purpose of the bond or the cash deposit?

A. The producer puts up the bond or cash as assurance that none of the excess wheat stored will be sold, fed, turned over to the Commodity Credit Corporation in settlement of a loan, or disposed of in any other way. As long as the excess remains intact in storage no marketing penalty can be assessed.

26. Q. Will the cash or warehouse receipt which has been deposited with the county AAA committee ever be returned to the producer or the bond discharged?

A. Under three different situations, the cash or warehouse receipt will be returned to the producer or liability under the bond will not be incurred. These are:

- (1) If the producer at any time pays the penalty or delivers the excess to the Government no liability will be incurred under the bond.
- (2) If the supplies are back to normal in 1943, making a quota unnecessary, all excess wheat may be marketed without penalty.
- (3) Even though a marketing quota is in effect in 1943, the producer may take out of storage and market without penalty any excess wheat equal to the greater of (a) the amount his 1943 actual production falls below the normal yield of his 1943 allotted acreage, or (b) the amount by which he reduces his 1943 seedings below his 1943 allotment, measured in terms of his normal yield.

27. Q. What happens if the stored marketing excess is depleted?

A. If any part of the stored excess wheat is used, disposed of, or lost for any reason before the penalty is avoided as outlined above, the producer shall pay the penalty for the depletion unless the depletion is the result of some cause beyond his control.

Delivering Excess to Government

28. Q. To whom does the producer deliver excess wheat to avoid the penalty?

A. He may deliver it to any elevator or warehouse and obtain a warehouse receipt which he will then give to the county AAA committee. In the event the producer can show to the satisfaction of the county committee that it is impracticable to deliver the excess wheat to an elevator or warehouse and obtain a warehouse receipt to cover it, the county committee will designate a time and place for accepting delivery of the actual wheat.

29. Q. What becomes of excess wheat delivered to the county committee?

A. This wheat becomes the property of the Government and must be disposed of by the Secretary of Agriculture for Municipal, County or Federal relief purposes in the United States or in foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce.

Loans on Excess

30. Q. How much wheat owned by a producer who has a marketing excess is eligible for a Government loan?

A. Only the marketing excess is eligible for loan.

31. Q. At what rate is a Government loan made on excess wheat?

A. Excess wheat, properly stored, is eligible for a loan at 60 per cent of the loan rate offered cooperators in the same locality.

32. Q. How can the producer qualify excess wheat for a loan?

A. To be eligible for a loan, excess wheat must be stored, either on the farm or in a warehouse, in storage which will meet the standards used under the regular wheat loan program.

33. Q. Does a loan on excess wheat relieve the producer of the marketing penalty?

A. No. The producer will still have to put up a bond or cash deposit in the usual manner to postpone the penalty.

34. Q. Does turning the excess wheat over to the Commodity Credit Corporation in settlement of the loan constitute satisfaction for the penalty?

A. No. Under the law, delivering wheat in settlement of a loan is considered marketing and the security deposited to secure the penalty will then be used to pay the penalty. The producer is entitled to any value that the wheat has over the loan and carrying charges.

35. Q. What are the regulations covering loans on excess wheat and how long do they run?

A. The same regulations which apply to regular wheat loans are applicable to loans on excess wheat.

Marketing Penalty

36. Q. What is the purpose of the marketing penalty?
A. The primary object of the penalty is to keep excess wheat off the market until it is needed.

37. Q. What is the rate of penalty on the marketing excess?
A. The penalty is 50 percent of the basic (national average) rate of the wheat loan. The penalty in 1941 excess wheat was 49 cents a bushel, but it will probably be some higher this year.

38. Q. When does the marketing penalty become due?
A. The penalty on all excess wheat is due as soon as any of the crop is threshed. At that time the entire crop of wheat produced on the farm is subject to a lien in favor of the Government for the amount of the penalty, and while the lien is in effect none of the wheat can be sold or used on the farm without payment of the penalty, and each bushel of wheat which is sold by the producer shall be subject to penalty.

39. Q. Who is responsible for paying the penalty on the marketing excess?
A. The producer is liable for payment of the penalty. However, if the producer does not take care of the marketing excess in one of the three ways indicated above, and any of the wheat is sold, the buyer is also liable for the penalty, but he may deduct it from the price he pays the producer.

40. Q. If more than one person is interested in a crop which is subject to penalty, how do they share in liability for the penalty?
A. Each is liable for the penalty until the amount of the penalty has been collected or the excess stored or delivered in the manner prescribed.

Non-allotment Farms

41. Q. How much wheat can be marketed without penalty from a non-allotment farm?
A. All wheat harvested on a non-allotment farm's acreage up to the larger of 15 acres or the wheat acreage allotment may be marketed without penalty.

42. Q. In certain deficit wheat areas, the agricultural conservation program provides that payments will not be reduced if the production on a farm is not more than 3 acres of wheat for each wheat-producing family on the farm, if the wheat grown is used for home consumption, and if no wheat is sold from the farm. How do marketing quotas affect such a farm?
A. In those areas, there is no penalty on wheat harvested on a non-allotment farm from which no wheat is sold, if the acreage of

wheat harvested does not exceed 3 acres for each wheat-producing family living on the farm, and the wheat produced is not sold but is for home consumption.

Why Marketing Quotas?

43. Q. What is the purpose of the marketing quota?
A. The quota is designed to divide equitably among all wheat growers the responsibility for adjusting wheat supplies to a limited market. Marketing of surplus wheat above the production from acreage allotments is discouraged. The loan will enable farmers to store part of the surplus until it is needed and at the same time will support the wheat price.

Other Quota Facts

44. Q. What percentage of wheat farmers approved quotas in the 1941 referendum?
A. Eighty-one percent approved quotas. More than half a million, estimated to be 4 out of every 5 wheat farmer affected, voted in the referendum.

45. Q. What has caused such tremendous supplies to accumulate?
A. Two major developments have contributed to the growth of the wheat surplus in the United States: (1) in addition to the gradual shrinking of foreign markets for United States wheat ever since the First World War, the tightening economic and war blockades of the last few years have cut exports drastically and suddenly; (2) the yield was above normal last year and is indicated to be so again this year.

46. Q. Why are we faced with the current surplus problem in view of the fact that wheat acreage allotments have been in operation?
A. Acreage allotments, at average yields, are calculated to produce enough so that with the carry-over there will be wheat for average domestic consumption and average exports, plus a 30-percent reserve. Consequently, when outlets are sharply and suddenly reduced or when yields are above normal, supplies may increase. For situations of this kind, the program offers marketing quotas to assist producers in handling the large supplies in an orderly manner until the necessary adjustments can be made.

47. Q. Won't the improved business help solve the surplus problem?
A. Domestic consumption of wheat remains virtually constant whether business conditions are good or bad. Even though consumption were considerably expanded, the surplus at the end of the current marketing year would likely be of record size.

48. Q. Will food shipments to our allies provide an outlet for the surplus wheat?

A. There is no such prospect in sight. American farmers are being called upon to provide food for allies, but this means concentrated, high-energy foods, such as meats, vegetables, and dairy products that can be shipped in smaller shipping space. Wheat presents a shipping problem, and, too, Great Britain's dominions already have enough wheat on hand to fill all of Britain's needs.

49. Q. How do wheat quotas fit into efforts of farmers to aid in war production?

A. Farmers play a vital role in the war. It is more urgent now than ever before that farming resources --- land, labor, equipment, and finances --- be used in the most effective way possible to meet war needs. Increased marketings of cattle, increased production of dairy products, meat, eggs, and other concentrated high energy foods, and increased production of oil crops, such as peanuts, soybeans, and flax are urgently needed. We have surpluses of cotton, in the shorter staples, some types of tobacco, and, as pointed out above, wheat prospects point to nearly a two-year supply. Quotas are a part of the plan to assist wheat farmers to devote more of their resources to the production of the deficit crops, without losing their fair share of the available wheat markets.

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